MANAGEMENT INFORMATION SERVICE

INTERNATIONAL CITY MANAGERS' ASSOCIATION
1313 EAST 60TH STREET – CHICAGO 37, ILLINOIS

Report
88 May-'51

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WHEN AND HOW TO USE OUTSIDE CONSULTANTS

How can municipal officials best determine the need for outside consulting service and what factors should be considered in obtaining such service?

Most public officials at some time or other find it necessary to seek help in the solution of their management problems. Usually they rely largely on local resources for the answers, but many cities, both large and small, now use outside help not only on nonrecurring problems but on recurring operating problems as well.

Types of Aids Available. Outside technical aids available to officials have taken many forms. One category is that reflected in supervisory relationships of one governmental jurisdiction over others. Some state regulatory agencies, for example, furnish municipal officials with standards and other administrative aids, as in the accounting, auditing, and assessing fields. Likewise, state civil service commissions provide assistance in the conduct of municipal personnel programs; state planning agencies assist in local planning activities; and state highway, health, police, and other operating departments frequently assist corresponding municipal departments. Usually such assistance is with respect to operations and programming, but sometimes it also extends to general administrative problems.

Another type of management assistance available to local officials is that provided by individuals and agencies interested in the improvement of public administration but without direct or official connection with public jurisdictions. Examples of this type are the numerous state and local governmental research agencies and taxpayers organizations, university institutes or bureaus of public administration, and private individuals, firms, and companies. The nature of assistance from these sources varies so greatly as to defy reliable generalized description.

Still another method by which officials have developed outside sources of technical assistance is reflected in the activities of various professional associations. For example, leagues of municipalities have been organized in 42 states and, in turn, are federated as the American Municipal Association. The "Directory of Public Administration Organizations" lists hundreds of other organizations national in scope and membership. Among the more important is the group of national governmental organizations housed at 1313 East 60th Street, Chicago, whose memberships collectively number thousands of public officials and agencies. With few exceptions, their services to public officials are of the same general type. (The "1313" group and several other national organizations of public officials are listed in the 1950 Municipal Year Book (pp.127-33) and also in the 1951 Year Book (pp.130-31) to be published June, 1951). The appropriate national organization upon request of municipal officials usually will furnish a list of qualified consultants in its particular field of activity.

An organization of public officials generally acts as a professional association and service bureau for its members. It gathers data of current interest and distributes useful information relating to its field with a view to the improvement of standards. It conducts research and publishes results of studies and

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issues a newsletter or journal and special bulletins and reports. It maintains an inquiry service and conducts periodic national, regional or state conferences for its members, exercises some leadership in the conduct of training programs for men in its field and cooperates with other public and private agencies interested in the improvement of government.

Some of these organizations have expanded their services to include assistance beyond that normally comprised in the program of a professional association. For example, the International City Managers' Association, through the Institute for Training in Municipal Administration, brings to local officials training facilities and resources which it would be impossible to duplicate locally. The Association through its Management Information Service also has established a precedent for the use of centralized facilities and resources in developing answers to specific local problems on a scale beyond that encompassed by the general inquiry service inherent in all membership association programs. Finally, the officials of some cities have made effective use of the Association's "Check List on How Cities Can Cut Costs" as a guide in determining where and how the quality and effectiveness of municipal services might be improved in a given city.

The total effect of these management aids has been considerable. However, with the institution of new or expanded governmental enterprises there has been a growing need, firsthand, for consulting assistance to local officials. It has become quite commonplace for even small municipalities to engage such consultants as legal, public accounting, and engineering firms on problems in the fields represented by these professions. The practice of using consulting services on general management problems is, as yet, less prevalent. The fact that such services are assumed to be expensive and the fear that they may upset relationships between employees and with the public are among the usual real and imagined obstacles to the employment of such services. In terms of results accomplished, however, such services are not necessarily expensive, and the fears about their effects usually are groundless.

Field Consulting Services. Consulting service projects fall into two general categories. One takes the form of a "survey and report" on a particular subject or problem of municipal government. Such an approach is usually profitable where there are basic defects in organization and administration which require legislative action for correction and which may call for a considerable amount of public information in order to enlist official and citizen support. The other category is that represented by the so-called "installation" project wherein, without elaborate formal reporting, the consultant develops administrative improvements in a prescribed area and assists in the actual installation of these improvements.

The installation type of consulting assistance is the more practical when the problem and the necessary remedies are apparent to the local official and he lacks only the time, staff, and other resources to proceed. In such instances the consultant may undertake the design and actual installation of a new system of operation, such as a system of personnel administration, a revision of accounting, budgeting, or purchasing practices, or the installation of a system of cost or equipment records.

Consulting projects are initiated in several ways. Sometimes the impetus for enlisting assistance comes from outside the government, but quite often it comes from public officials who seek to improve operations but are handicapped by inadequate local technical resources. It is not surprising that the more progressive governments make up the bulk of those found in this second category, and it is hardly necessary to add that this official sponsorship is desirable in all cases.

Determining Need for Outside Help. Almost any municipality can determine its need for consulting services by deciding, first, the nature of the problem and, second, the resources available to its solution. Some experience is available to municipal officials on almost any type of problem: a problem new to one jurisdiction may be old to many others. Much of this experience is recorded in year books, professional journals, and similar sources. Other information can be had for the asking by making inquiries of officials of selected cities.

Also, almost every sizable community has some technical staff with which it can make at least general preliminary studies. Limited help can sometimes be obtained from other governmental units, such as neighboring large municipalities, the state government, and, in some cases, federal agencies. Where the combination of these resources is not adequate to produce a satisfactory answer to a municipal management problem, both economy and good sense dictate the employment of consulting services to augment the resources already available.

Selection of the Consultant. The first step in securing outside aid is to define the general nature, type, and scope of the problem, list the technical resources available locally, and decide what outside technical services are desired. On the basis of such general specifications, inquiry concerning consulting services can be made of a number of consulting firms and agencies. These inquiries should invite statements of interest and availability on the part of consultants, and encourage suggestions as to possible modifications of the proposed consulting service program.

Where the consultant expresses interest in the undertaking, he should be required to indicate at least generally how the project would be staffed, scheduled, and otherwise conducted, and to provide appropriate references in terms of jurisdictions previously served and examples of reports prepared as well as estimates of the probable cost of professional services to be rendered. After analysing replies and making inquiry of references, it is usually worth while to interview representatives of several firms selected from the list of responses.

Municipal officials might ask the prospective consultants to cite all projects they have performed rather than a few selected undertakings. A municipality should make inquiry particularly of responsible officials who were in office when the consulting work was done and who have lived with the results of the work. Only in this manner, except perhaps in the case of a limited number of nationally known consultants, can the municipality assure itself that it is likely to receive technical services of the type and caliber which it desires. This checking-up process before consulting services are engaged is highly desirable from the point of view both of the municipality and of any reputable consultant.

The municipality's interest in such a process is obvious: it is employing personal services and should certainly be as exacting in employing a consultant as it is in putting a top-level professional person on its payroll. Similarly, from the point of view of the consultant, anything which enhances the municipality's confidence in him will contribute to a type of working relationship essential to effective consulting services. Also, possible differences over what is expected from whom should be resolved before, rather than after, consulting services are formally engaged.

Many local governments, for example, have found it desirable to bring in outside consultants to develop position classification and pay plans for employees, and the specifications which local officials might set forth in connection with such a survey may be outlined as follows:

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1. Supply appropriate classification questionnaire forms to be completed by employees and their supervisors in setting forth the duties and requirements of each of the positions covered by the survey.

2. Conduct extensive field audits of the work of individual positions through discussions of the duties and work requirements of positions with individual employees and their supervisors at their places of work and with departmental officials.

3. On the basis of information secured through the above steps, establish classes of positions which, in effect, constitute a simplified grouping of all positions on the basis of duties, responsibilities, and qualification requirements.

4. Prepare descriptions which set forth in some detail the nature and requirements of the work of each class of positions.

5. Allocate all positions by assigning each to the appropriate class in the classification plan.

6. Review proposed classifications and allocations with appropriate departmental officials.

7. Notify employees of the proposed classification of their positions, and review and prepare recommendations on allocation appeals from individual employees.

8. Participate in such hearings on, and discussions of, the classification plan as may be conducted by the city, and revise the classification plan as may be desirable in the light of the above hearings but prior to final action by the city.

9. Present to the city lists showing the classification of each position as a basis for revising personnel records.

10. Through salary information questionnaires, personal interviews, and the study of classification and pay plans for private and public agencies, secure representative information about current pay rates in appropriate public jurisdictions and in private employment within the area.

11. Analyze the salary and wage information and such related factors as the relative difficulty and responsibility of the work of the various classes, the cost of living, and the city's recruitment problems and pay and financial policies and requirements.

12. Prepare a comprehensive compensation plan with rates or ranges of rates of pay for all classes of positions included in the classification plan.

13. Calculate the budgetary effects of the recommended pay plan.

14. Develop rules and procedures necessary for the installation and continuing administration of the classification and pay plans.

15. Prepare, for submission to the city, a report which presents the pay plan, discusses factors considered in its development, sets forth supporting information, and summarizes estimated budgetary effects, and participate in hearings on and discussions of the pay plan in the period immediately following the submission of the report.

These specifications can be prepared by the personnel officer or they can be developed in consultation with representatives of one or more consultants.

The Contract or Agreement. Once the consultant has been selected, the agreement as to the type of services to be rendered and their amount, cost, and scheduling should be recorded either by an exchange of correspondence or by a formalized contract document. The specifications would be incorporated in a letter which the consultant who is selected would write to the city outlining the services to be performed for the city. The above specifications for a position-classification and pay plan, for example, were set forth in a letter prepared by Public Administration Service in April, 1951, addressed to the city manager of a city of 31,000 population. In addition, the letter to the city manager included the following paragraphs (with names of individuals and cities deleted):

"As you know, Public Administration Service was established to provide technical services to governments on a cost basis. Its charges, therefore, represent the cost of making staff available for the time required to complete the authorized work. We normally estimate the maximum cost of our services in performing a prescribed work program and agree to perform the work within that estimate of maximum cost. Our costs are billed monthly for the time actually worked, for transportation, and for other direct project expenses. Where it is possible to complete an undertaking for a smaller amount, we of course do so, billing only for the staff time and related expenses incurred in the conduct of the project.

"Assuming that not more than 375 positions are to be included within the scope of the work, we estimate the maximum cost of providing the services outlined above at not to exceed $2,850, and we will agree to provide those services within this estimate of maximum cost, billing, at established per diem rates, for time devoted to the work by staff members and for transportation and other costs incurred. If the work were extended to include positions under the Library and Water boards (numbering about 70) or nonteaching positions in the school system (numbering 28), our estimate should be revised upward in the amount of $7 for each such additional position, assuming that the decision to include such positions were made at a time which permitted the work to proceed as a single project.

"Our estimates of maximum cost assume that the city would provide: necessary office space, furniture, and equipment; telephone service; project supplies; such clerical, stenographic, and related facilities as may be necessary to assure the effective use of technical staff; full access to necessary records; and expeditious decisions on matters which affect the progress of the project.

"I enclose copies of a brochure, "Your Business of Government," which briefly describes Public Administration Service and catalogs its publications in the field of public administration, and a list of the survey and installation projects which we have carried out. We are now completing personnel studies for the State of _____ and City of _____. Mr. _____ has served as chairman of the State Personnel Board throughout the period of our work for the state, and Mr. _____, City Manager of _____, is familiar with our present undertaking as well as earlier personnel studies for the City of _____. Mr. _____, director of finance for the City of _____, doubtless has some familiarity with our work in developing classification and pay plans for that city some three years ago.

"We are sending you under separate cover copies of our reports on classification and pay studies for the city of _____, as illustrations of the work we do. Since these reports are from permanent reference files, I must ask that you return them when they have served their usefulness.

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"This letter together with an acceptance from an appropriate city official would constitute the only contract needed for our purposes. If the City requires a formal contract instrument, however, we should be pleased to execute one."[1]

Whenever the city can assign one or more of its employees to assist the outside consultant on certain phases of the survey work the cost to the city will be reduced. For example, in submitting a proposal for the establishment of a budget and centralized purchasing system for a small city of 5,000 population, Public Administration Service included the following statement: "The above program and cost estimate contemplates that the staff of Public Administration Service would actually perform most of the detailed work involved in developing the systems. As an alternative, the total cost of our services could be materially reduced if much of this work could be done by members of your staff. For example, if a city employee could design the forms on the basis of verbal instructions, or in some cases roughed out copies, the time required for our staff would be materially reduced. Also, if your staff could carry out the detailed work of developing forms and procedures on the basis of a program developed by our staff, so that it would be unnecessary to keep a man in your city while this work was being done, the cost would be further reduced. In other words, it will be unnecessary for us to devote much time to any work which can be assumed by your employees under our direction."

In the course of using consulting services, municipal officials will find it profitable to provide full local cooperation and a maximum of competent local technical participation. Such a policy and practice can do much to expedite progress and minimize the cost of outside services. In addition, it provides local employees with useful training opportunities and with a valuable knowledge of what was done, why it was done, and what the future operational requirements are. Needless to say, this opportunity should not be wasted by assigning to the consultant any other than top quality local technicians.

Competitive Bids for Consulting Service. While it is desirable for the city to secure statements from several consultants first as to the extent and kind of work they would perform, together with an estimate of cost, the city generally is under no obligation to engage the lowest bidder. Even where competitive bidding is required on all contracts, it is generally not necessary or desirable to obtain such bids for the employment of professional people such as accountants, architects, attorneys, engineers, and other consultants.

[1]The subject matter of the agreements used by Public Administration Service is typical of what may be considered good practice followed by consultants. Public Administration Service (1313 East 60 Street, Chicago 37) is a not-for-profit corporation established in 1933 to provide technical services on a cost basis exclusively to governmental agencies. PAS grew out of the work done by the research committee of the International City Managers' Association during the years 1930 to 1933, when the committee was headed by Louis Brownlow and Donald C. Stone was director of research of ICMA. Mr. Stone became the first director of PAS in 1933. The governing board of PAS is composed of the executive directors of a number of national organizations including the International City Managers' Association. During the years since it was established, PAS has issued over 200 books, manuals, and other publications useful to public officials. It has conducted over 500 consulting projects for more than 250 governmental jurisdictions including more than two-thirds of the state governments and numerous large and small cities in all parts of the country, as well as for a number of federal agencies and for governments outside the continental United States.

This exemption from bidding is based primarily on the fact that professions require special skill or technical training and no useful purpose would be served by requiring competitive bidding. The work performed by such consultants is of a personal nature and if the award is made on a competitive bid basis then the selection may depend on price alone. The quality of the work performed by professional or technical personnel depends very largely upon their training, ability, and integrity.

This point of view has been quite consistently held by the courts in many states. For example, in McQuillin on Municipal Corporations Vol. 2, sec. ed. revised, p.1182, sec. 1292, it is stated with citation of cases: "Provisions as to competitive bidding have been held not to apply to contracts for personal services depending upon the peculiar skill or ability of the individual such as the services of...an attorney at law, a superintendent or architect...or a consulting and supervising engineer. And generally the requirement does not apply to the employment of a professional man in which case the authorities have a discretion as to his qualifications."

Courts in such states as California, New York, Pennsylvania, and Minnesota have held that statutes requiring competitive bidding are not applicable to employment of professional services. Some of these are: San Francisco v. Boyd, 17 Cal. 2d, page 620 (1947); Kennedy v. Ross, City and County of San Francisco, 70 Pac. 2d, 904, 28 Calif. 2d, 569 (1946); Bermeule v. City of Corning, 174 N.Y.S. 220, 186 App. Div. 206; Braaten v. Olsen (1914) 28 N. D. 235, 148 N.W. 289; Cochran County v. West Audit Company (1928) 10 S. W. 2d 229; Horgen v. New York, 114 App. Div. 555, 100 N. Y. S. 68; Stratten v. Allegheny County, 245 Pa. 519, 91A 894; Moorhead v. Murphy, 94 Minn. 123, 102 N. W. 913; Newport News v. Potter, 122 Fed. 321.

Some years ago a large city wrote identical letters to several consulting firms requesting a statement of qualifications and cost of making a survey of a particular city department and installing modern procedures. When the bids were received the council insisted that the work be awarded to the lowest bidder. The successful consultant did the work agreed upon. The thoroughness and quality of the work, however, was such that the city later employed one of the other firms that had originally submitted a slightly higher bid to come in and do the job over. This resulted in several years delay in reorganizing and improving procedures in this particular department and also resulted in the city paying double the amount that it would have paid if the city had selected in the first place the lowest and best bidder.

It should be stated that there have been instances when public agencies have misused their power to award personal service contracts without competitive bidding. To avoid the possibility that public contracts of this type may be awarded in violation of the public interest, it is preferable that the law or city charter should determine what service contracts are exempt from the requirement of competitive bidding.

Cost of Consulting Service. To assure a satisfactory experience in the use of consulting services, the cost of the service should be fixed as accurately as possible. Where the scope of the job and the extent of local participation can be determined accurately, the most satisfactory arrangement is for the consultant to fix a maximum beyond which no charges will be made and to bill against that maximum for transportation costs, staff time, and other items devoted to the project. Even where work is done on a cost basis on sizable projects which permit the use of a balanced staff comprised of junior, intermediate, and senior tech-

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nicians, billing rates averaging up to $50 per day worked on the project may be expected. Such rates include, in addition to the salary of the member of the consulting staff, the expenses he incurs by reason of living away from his headquarters, the cost of providing vacation, sick leave, and retirement privileges, the cost of nonbillable time spent in travel from one project to another, and also a share of the headquarters overhead necessary to provide the field consultant with the direction and reference facilities and other resources which give him a usefulness greater than that of a local employee of perhaps comparable personal competence. There are, of course, numerous instances, particularly with respect to management engineering consulting services in private industries, where per diem rates range much higher, sometimes up to $200 per day.

In evaluating the reasonableness of such daily billing rates, it should be remembered that normally they apply only to days actually worked. As there is little uniformity among state and local governments with respect to length of work week, leave provisions, and the like, the federal service may best be used to illustrate the relationship of days worked to total time. It requires only the simplest of arithmetic to figure out that on the basis of federal work schedules, leave provisions, and with only absolute minimum allowances for travel and other unproductive time, the per-day worked cost of an employee approximates 1/200 of his annual salary. This figure does not include subsistence expenses involved in keeping him while away from his regular home and headquarters, the cost incurred in recruiting and training him, nor the expense of providing him with direction and facilities which give him purpose and usefulness. Also, an employer has no hesitancy in releasing a consultant for whom he no longer has use but is more considerate of a regular employee whose employment may begin before and extend beyond the period of maximum usefulness. A careful examination will usually indicate that the discrepancy in unit cost between an employee hired by a governmental jurisdiction and a consultant so engaged is not as great as it seems.

As the results of consulting services may take several forms, there should be an early decision concerning the type of end product to come out of a survey or installation project, with due regard to the audience to which the end product is to be directed. In many instances, reports must be prepared, and such reports should vary with the use to which they are to be put. Comprehensive and detailed reports may be prepared to provide detailed guidance for administrative officials; concise reports on the most significant features of the work done may be most appropriate for legislative officials; popularized summaries may best inform the public. On the so-called installation projects the end product is likely to be a series of manuals, circulars, bulletins, and directives effectuating the recommendations and so devised as to be of maximum help to individuals charged with the continued operation of the new system.

Follow-up on Consultant's Work. The responsibility for following through on work done by a consultant belongs primarily to the local jurisdiction. Most of the follow-through aspects of an undertaking lie beyond the authority of the consultant, and even the best of consulting work can be no more effective than the degree of follow-up exercised by local officials. Many installation projects, for example, are ruined through the notion that the completion of the installation has ended the problem for all time. Seldom is this true; in most instances systems must be continuously revised, at least in detail, to conform to changed circumstances. The consultant will almost always be glad to assist in such follow-up operations and, as his prior work gives him intimate familiarity with the situation, it is good business to have him come back occasionally for general review and to assist in working out any new problems that may arise.

The credit for a successful consulting project belongs not to the consultant but to the public officials who engage him. This happy thought unfortunately must carry with it recognition of the unhappy fact that the success of any consulting project depends at least as much on local officials as on the consultant. It is not enough merely to select a competent consultant with capacity to perform the kind of work desired. The local officials must define the objective clearly, recognize project limitations, condition the local staff for work with the consultant, provide the consultant with local facilities that will make for the maximum utilization of the consultant's staff and preferably furnish some local participation of technical grade, make expeditious decisions on those matters which affect project progress, and observe project progress and make known to the consultant any dissatisfactions.

Above all, it must be remembered that the authority and responsibility for making decisions rests with local officials and not with the consultant. Accordingly, local officials must make decisions on all recommendations, accepting them, rejecting them, modifying them or, in some instances, establishing a specific schedule and procedure for their reconsideration. Also, local officials should make known to the consultant difficulties encountered in the continued operation of systems which the consultant has developed. Undoubtedly many of the dissatisfactions with consulting work arise from the failure to give the consultant the benefit of specific constructive complaints on the basis of which the consultant can offer either supporting explanation or corrective action.

Conclusion. Consulting services can be used to advantage on problems which cannot be solved through other readily available resources. If the official selects his consultant carefully, he may expect to have brought to the solution of his problem technical resources and experience which offer advantages over local technicians from the point of view of independence, impartiality, and objectivity, a superior analytical approach, and better presentation of findings and recommendations, as well as more highly developed specialized knowledges. Above all, the consultant, free from day-to-day operating obligations, has the time to give systematic attention to a problem in a way that harried local operating officials can seldom do.

For maximum utilization of these assets, consulting services should be clearly defined as to nature, scope, and type; should be augmented by local resources to the fullest possible extent; should be controlled carefully but not niggardly as to cost; and should result in a useful end product upon which local officials can make firm decisions. Under such circumstances, good consultants can supply the answers to problems of local officials quickly, economically, and effectively, and constitute one of the important management aids available to public officials.

Note: MIS will gladly supply upon request suggested specifications which can be adapted for local use in making inquiry to one or more consultants as to their interest, availability, estimate of cost, etc. Such specifications cover nearly every phase of municipal activity, including such projects as: establishment of budgetary procedures and central purchasing system, survey of a police department, installation of a public works records and cost control system, installation of a public administration, administrative survey of a city government, a system of personnel administration, and installation of an assessing system.